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CAD Bulletin 89-2

TO: All Electric and Gas Utilities  
FROM: Barbara R. Alexander, Director Consumer Assistance Division  
SUBJECT: Monitoring Special Payment Arrangements.

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CAD has recently cited two different electric utilities concerning their handling of a Special Payment Arrangement when the customer has paid off his arrears in full prior to the projected completion of the arrangement. In both cases, the customer used less energy than estimated at the time the arrangement was established. The result was that by July or August the customer had paid their arrears balance in full, followed by the issuance of a normal monthly bill shortly thereafter. In both cases the utility failed to recognize that the winter arrears were paid in full. In one case, the utility was cited for later issuing a 3-day disconnection notice when the customer should have been issued a 14-day notice and offered the opportunity for a new arrangement. In the other case, the utility was cited for requiring the customer to pay his current bill before it was at least 30 days old because a renegotiation of the Special Arrangement required the customer to pay a portion his current bill before it was overdue in order to avoid disconnection.

Both cases raised the issue of the procedures followed by utilities in monitoring the performance of special payment arrangements. Special payment arrangements, like standard utility budget payment plans, require an estimation of future utility bills. There are several reasons why a utility would want to monitor usage and spot significant over - or under - payments:

(1) If a customer uses more energy than estimated, the winter arrears will not be paid as projected and a large "balloon" payment

will be due in October. This may result in an unnecessary surprise and hardship to the customer.

(2) If a customer uses less energy than expected, the winter arrears may be paid off early. In most cases this is beneficial to both parties. However, if a customer is having trouble making the required monthly payments and is using less energy than expected, utilities should consider lowering monthly payments.

If a customer is paying off their winter arrears sooner than projected under the terms of the arrangement, a variety of options should be considered: renegotiation of the Special Payment Arrangement to reduce monthly payments; establishment of a regular arrangement which does not require any compliance with the November 1 payment date; or an offer of the utility's budget payment plan. In any event, when a customer pays the winter arrears in full, the special payment arrangement is completed. If the account then falls into arrears, a 14-day disconnection notice is the appropriate method for beginning disconnection proceedings. Any payment arrangement negotiated once the winter arrears is paid must comply with Section 6(B)(3). While it may be reasonable to attempt to negotiate a payment arrangement that will not bring a significant overdue amount into the winter period, the "current by November 1" requirement of Section 17 does not apply to Section 6 payment arrangements.

There is no single "correct" way to monitor SPAs. Many cases must be handled on an individual basis. Utilities subject to the Winter Disconnection Rule should reply to this Bulletin with a description of the procedures they have or will adopt to address these issues. If you have any questions, please do not hesitate to contact me or Betty Bero of my staff.

This is an informal staff interpretation of Chapter 81. A utility may request an Advisory Ruling from the Commission pursuant to Chapter 11, Section 5 of the Commission's Rules.

BA/bh